

FISCAL NOTE - CAPTION BILL

SB 2670 - HB 2743

April 28, 2000

CAPTION BILL: Fiscal note reflects amendment filed to lift bill from House Clerk's desk.

SUMMARY OF BILL: Establishes a special account designated as the TennCare Hospital Reserve Fund to utilize Federal matching funds received based on uncompensated charity care at public hospitals. All funds are to be distributed to acute care, public, community and rural hospitals. Funds are also to be distributed to hospitals with a disproportionate share of TennCare patients. The Comptroller is to contract with an independent agency to establish a methodology for distribution of the fund.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - \$171,500,000 First Year

Other Fiscal Impact:

Decrease Federal Expenditures - Exceeds \$100,000,000 Second Year

Assumes that:

- state appropriations will be necessary to make up the dollars placed in the fund and maintain TennCare capitation rates at the current level. Under the TennCare waiver the state receives credit for the Federal portion of uncompensated care in public hospitals (certified public expenditures). This amount of CPE is budgeted at \$171,500,000 for fiscal year 2000 and is used as state match toward more Federal funding which is then used for MCO capitation payments. Without increased state appropriations capitation payments would have to be reduced by about \$514,500,000 (the state share and the Federal match).
- according to information from the Comptroller of the Treasury, the amount of audited uncompensated care would decline in the second year. Since hospitals will receive funding for what is now uncompensated care, the amount of certified public expenditures would decline reducing the amount of federal funding in the second year. The amount of such reduction cannot be determined but is estimated to exceed \$100,000,000.
- an independent contractor will be paid from the fund and the remaining amount will be distributed to the targeted hospitals on an annual basis.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director

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